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GENERAL

25X1A¹. Alteration of Soviet-Hungarian trade relations reported:

The American legation in Budapest has received a number of reports from reliable diplomatic and local sources of a significant change in Soviet-Hungarian trade relations. These reports, which

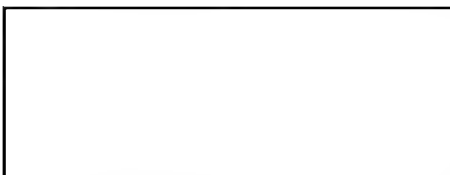
began about the time Mikoyan was removed as minister of internal trade, claim that there has been a slackening of Soviet shipments to Hungary and a cessation of Hungarian exports of some products to the USSR, and that some Hungarian factory officials are worried over a lack of orders.

Comment: Soviet-Hungarian trade relations are probably in a state of flux as a result of the recent shift in Soviet domestic economic policy, which has undoubtedly caused the USSR to re-examine its trade policy inside the bloc as well as toward Western nations.

While no dramatic change in Soviet trade relations with the Satellites is likely, the level of trade probably will not rise as fast as it has in recent years, and the USSR will be less willing to import foodstuffs and consumers' goods.

A Hungarian trade delegation is now in Moscow drawing up the 1955 agreement. Hungarian officials are probably reluctant to make new commitments until new policy directives are issued by Moscow.

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25X1A 2. Balkan alliance foreign ministers to meet in Ankara:

The foreign ministers of Turkey, Greece, and Yugoslavia, meeting in Ankara on 28 February, will consider the following three-point agenda: (1) the international

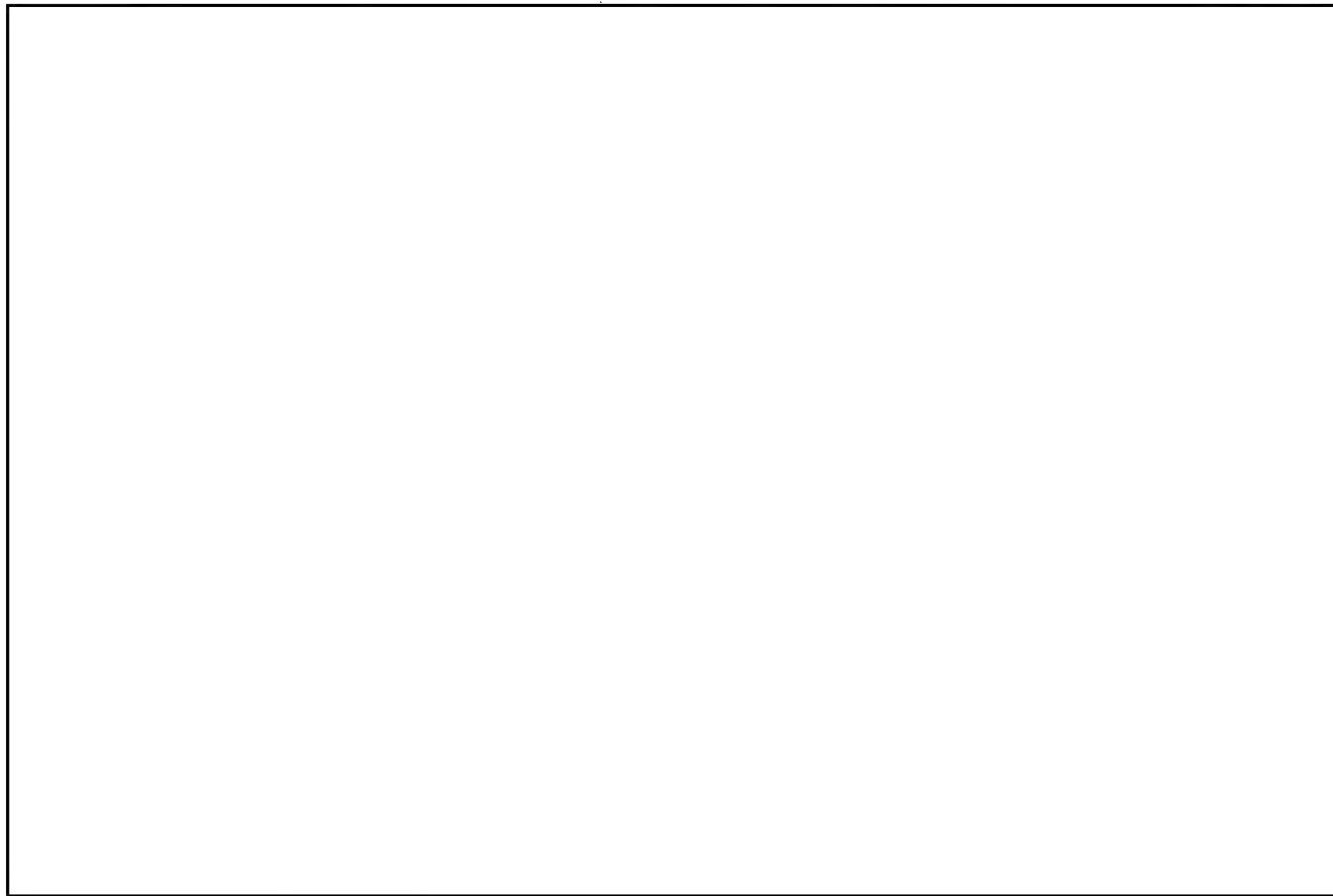
situation, including the normalization of relations with East European Satellites; (2) the further development of the Balkan alliance, possibly including Balkan-NATO military co-ordination; and

(3) the proposed Balkan interparliamentary union, for which planning is well advanced in the tripartite secretariat.

Comment: Recent Greek-Turkish tensions, lack of consensus on Italian membership in the alliance, and continuing Yugoslav resistance to closer co-ordination of Balkan and NATO planning have dampened the optimism which at an earlier time surrounded the Greek-Turkish-Yugoslav rapprochement.

Although Balkan co-operation apparently continues to play an important role in Yugoslav foreign policy, Belgrade has recently been showing more interest in the economic and cultural features than in the military.

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FAR EAST

25X1A⁴. Conservative victory predicted in Japanese general elections:

Next Sunday's elections in Japan are expected to result in the conservatives retaining their two-thirds Diet majority with the Socialists held essentially to their present strength and the Communists picking up from three to five seats. The American embassy in Tokyo reports that the two conservative parties--Prime Minister Hatoyama's Democrats and the Liberals of Yoshida and Ogata--are expected to reverse their positions, making the Democrats the leading party in the Diet.

Another Hatoyama cabinet is foreseen, but it will remain a minority government, despite possible Liberal defections to the Democrats. Most observers believe efforts for a wholesale conservative merger will fail, and the Liberals will remain in opposition.

Comment: The postelection outlook is for less stability than under Yoshida after the 1953 elections. The Democrats are divided into at least three major competing factions, and there is no leader with Yoshida's firm grasp and ability to maneuver.

SOUTHEAST ASIA


25X1A⁵. Crown prince indicates Laotian desire to join Manila pact:

Crown Prince Savang of Laos believes strongly that his country's survival in the event of Communist aggression would depend on Laotian adherence to the Manila pact. Speaking for the king in the presence of the American, British and Thai ministers, Savang argued that the Viet Minh is more likely to provoke this year, through the Pathet Lao, a crisis in Laos than in Vietnam, where aggression is not probable before the 1956 elections. He particularly emphasized the grave threat to Thailand that such aggression would create.

Savang believed therefore that the current Bangkok conference of the Manila pact powers should, with Laotian participation, consider plans for the defense of Laos.

Comment: The Laotian government declared at Geneva that it would join no military alliance not in conformity with the charter of the United Nations or with the principles of the Geneva truce agreement. The Laotian premier has stated that the Manila pact does not appear to violate these considerations and that the royal government, owing to its exposed geographic position, "cannot disinterest" itself in such a regional defensive organization.

25X1A 6. Cambodian king proposes drastic constitutional revisions:

 The king of Cambodia informed his cabinet and the entire diplomatic corps in Phnom Penh on 19 February that he had received numerous petitions requesting the postponement or suppression of the national elections scheduled for April. He claimed these petitions reflected the people's distrust of political parties, particularly the Democratic Party, and their objections to the cost of maintaining 70 deputies in the capital.

To correct the situation, the king proposed a number of "reforms" designed to establish a government conforming to the dictates of "Cambodian democracy." The major changes called for were the indirect election of deputies and the establishment of a cabinet appointed by the king which would not be collectively responsible to the legislature. The king indicated he would submit this plan to a popular referendum in April and, if it should be rejected, elections under the old system would be held in June.

Comment: The Cambodian king is sensitive to any form of opposition, and his unilateral effort to change constitutional procedures shows he will go to almost any lengths to eliminate any real or fancied threat to his position. Although his plan is not, in itself, contrary to the Geneva agreement, his attempt to suppress party activity will undoubtedly be disapproved of by the International Control Commission.

Despite probable opposition from moderate and responsible elements in Cambodia, the king has the strength to put his program into effect.

7. Burmese noncommittal regarding offer of American arms:

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The initial Burmese reaction to an American proposal to provide arms has been one of reserve. Minister of Industries Kyaw Nyein has indicated

that although he is personally sympathetic to the idea, he would have to consult with Commander in Chief Ne Win before giving his government's preliminary reactions. He did recommend, however, that there be no publicity and that the grant aid strictly confidential, as it was politically impossible for Burma publicly to accept gift arms from the United States.

Comment: Kyaw Nyein's attitude appears to suggest that the Burmese have become more cautious in this matter than they have been in the past. General Ne Win has been particularly eager to obtain American equipment and has been concerned only about the cost and the limits placed on the types of equipment which were made available to Burma.

This caution undoubtedly reflects Burma's desire to avoid antagonizing Communist China, especially in view of Premier Nu's assurances that Burma undertake no action offensive to Peiping. The chances appear to be about even that Burma will reject the offer if it is made through official channels with attendant publicity.